Headquarters U.S. Air Force

Integrity - Service - Excellence

FY05 Budget and the Defense Appropriations Act

Col Robert Lenahan
AFMS Chief Financial Officer
AF/SGY

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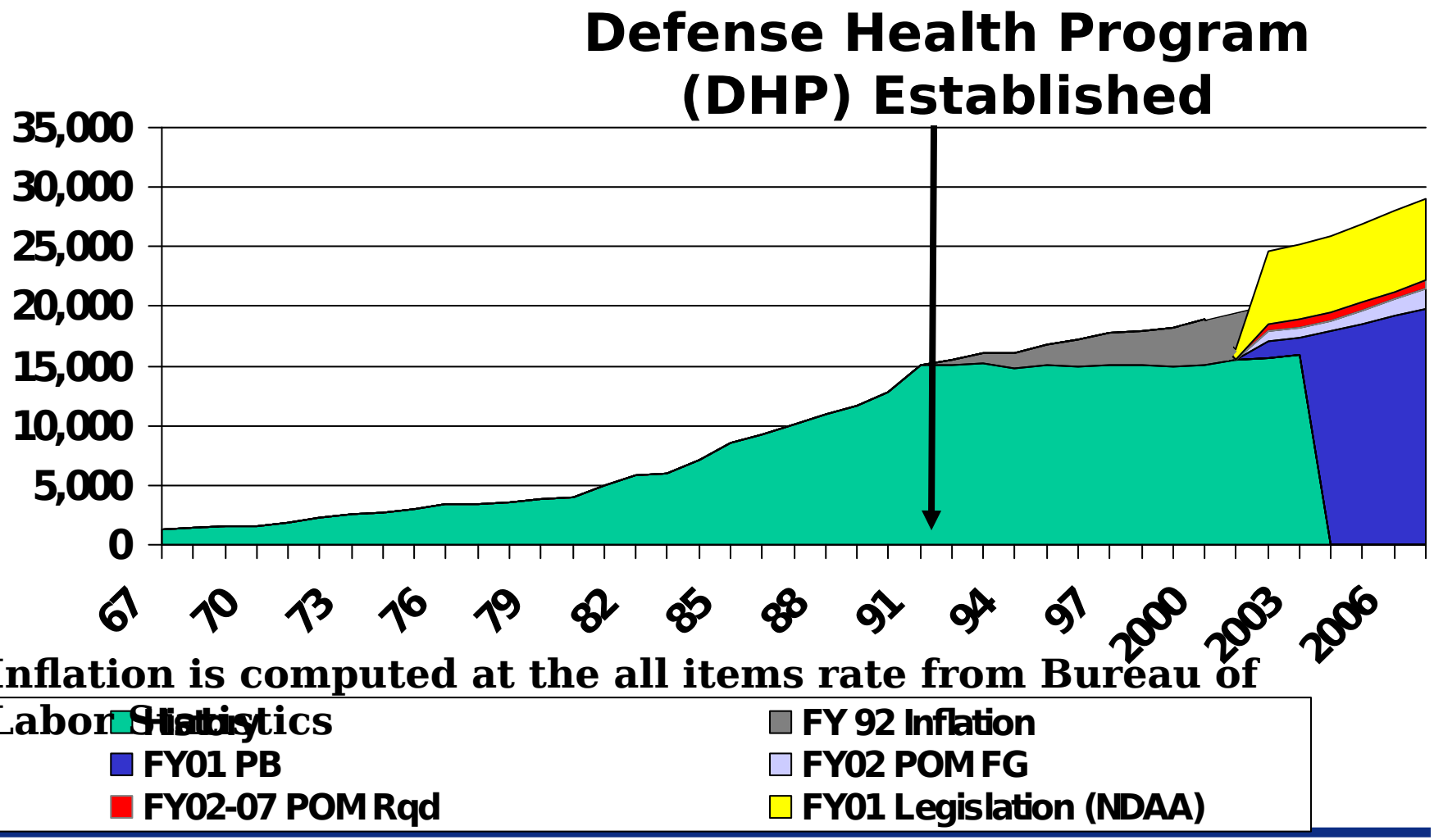
Overview

- **FY95 to FY05 Funding Stream Changes**
- **FY05 Starting Position Compared to FY04 Ending Position**
- **AFMS Corporate Bills (not programmed)**
- **Congressional Ads**

Healthcare Spending
FY68-07



Inflation is computed at the all items rate from Bureau of Labor Statistics

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FY95 to FY05 Funding Stream Changes

1995

- **MilPers**
- **DHP O&M**
- **Line O&M**
- **DHP Procurement**
- **Line Procurement**
- **MILCON**

2005

- **MilPers**
- **DHP O&M** Budget Activity Groups **(BAGs)**
  - **In-House Care (Direct Care)**
  - **Purchased Care**
  - **Management Activities**
  - **Education and Training**
  - **Consolidated Healthcare**
  - **IM/IT**
  - **Base Operations**
- **Line O&M**
- **OP**
- **MILCON**
- **DHP Procurement**
- **Line Procurement**
- **Accrual Fund**
- **GWOT**
- **RDT&E**

FY04

FY04 Very Challenging Year Financially

- **Helped offset unexpected Private Sector Care Bill**
- **Ramp up of TRICARE Regional Offices**
- **Begin Closing Lead Agents**
- **Started New TRICARE Contracts**
- **Accrual Fund**
- **GWOT/Ops Tempo**
- **Retired C-9**

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FY 05 Issues

- Revised Financing
- Resource Sharing
- Prospective Payment/B Plan Execution/Fee for Service (20/1500)
- Reprogramming Authority
- Variation Analysis
- Programmatic Linkage

Appropriation Overview

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$000s	FY 2003	FY 2004	FY 2005
Operation & Maintenance	$1,584,786	$1,639,175	$1,747,101
BAG 2 Revised Financing	$99,340	$142,000	$919,700
Accrual MILPERS*	$170,779	$174,877	$178,975
Accrual O&M*	$259,890	$287,203	$399,663
Civ Dental Care for AD	$19,930	$27,500	$37,890
MILPERS	$2,256,674	$2,503,357	$2,596,584
LAF funded MILPERS	$158,397	$164,629	$170,860
Procurement	$56,584	$46,949	$50,892
RDT&E	$972	$30,350	$47,800
WRM (28038F)			
3400 O&M		$2,801	$451
3080 Investment		$31,044	$14,019
4930 AFWCF MDD		$39,225	$81,079
CCBRNE (28036F) O&M		$1,321	$2,681
MILCON	$38,880	$46,400	$53,900
Total	$4,646,232	$5,136,831	$6,301,595

FY04 Corporate Bills (not programmed, but paid)

	$K	
Civ Pay Inflation	2,000	
Dental Increase	6,400	
HPSP Increase	6,900	
Pharmacy Plus Up		7,700
Referral Management/ Medical Management/ Appointing		8,200
HPLRP	12,000	
Modernization (operating cost and portfolio)	16,400	
Optimization Contracts	17,900	

Total: $77,500K

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O&M FY04 to FY05

(Direct Care)	FY04	FY05
O&M Starting Position	1,639,175	1,747,101
PBD Decrements	(56,000)	-
Accrual Fund	287,203	399,663
GWOT	31,165	-
Private Sector Care	155,679	919,700
Total	2,057,222	3,066,464
Without PSC / GWOT	1,870,378	2,146,764
AFMS Corporate Bills	(77,500)	TBD
TMA Corporate Bills	(11,500)	(16,998)
	1,792,878	2,129,766

FY05 Looks a Little Better

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$000s		
2,129,766	FY05	
(1,792,878)	FY04	
336,888		
(91,000)	Rx Inflation	
(85,000)	RS Transfer	
(6,000)	Civ Pay Inflation	
154,888		

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FY05 Corporate Bills (Under Review)

- Suicide Prevention Trng
- Defense Travel System
- TMA Pharmacy Refill
- HA “Go Do”
- Dental Contracts
- TROs
- Optimization
- HPLRP/HPSP
- Appointing
- Referral Management
- Medical Management
- Pharmacy Plus Up
- PBD Buffer
- Modernization Portfolio

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Way Ahead

(estimated time frame)

- **1- 20 Oct Panel Review FinPlan input with MAJCOMs**
- **27 Oct AFMS Group Rack and Stack**
- **10 Nov Final FinPlan Group Review**
- **17 Nov Brief Council**
- **24 Nov Decision Brief to AF/SG**

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Appropriation Overview

$000s	FY 2003	FY 2004	FY 2005
Operation & Maintenance	$1,584,786	$1,639,175	$1,747,101
BAG 2 Revised Financing	$99,340	$142,000	$919,700
Accrual MILPERS*	$170,779	$174,877	$178,975
Accrual O&M*	$259,890	$287,203	$399,663
MMSO	$19,930	$27,500	$37,890
MILPERS	$2,256,674	$2,503,357	$2,596,584
LAF funded MILPERS	$158,397	$164,629	$170,860
Procurement	$56,584	$46,949	$50,892
RDT&E	$972	$30,350	$47,800
WRM (28038F)			
3400 O&M		$2,801	$451
3080 Investment		$31,044	$14,019
4930 AFWCF MDD		$39,225	$81,079
CCBRNE (28036F) O&M		$1,321	$2,681
MILCON	$38,880	$46,400	$53,900
Total	$4,646,232	$5,136,831	$6,301,595

Congressional Additions (RDT&E)

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	$K
AF Medical Service Database Initiative	500
AF Environmental and Occupational Factors in Women's Health Programs	1,300
AF Integrated Medical Information Technology System (IMITS) Initiative	2,600
Assessment and Demonstration Center	3,400
Direct Real-Time Secure Collaborative Application/Analysis Sharing Environment (DRS-CASE) for AF/SG	1,000
National Diabetes Model Program	16,000

Congressional Additions (RDT&E cont.)

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	$K	
■ Portable Remote Medical Collection Relay Capability	1,000	
■ Rapid Identification and Treatment for AFSOC Forces	4,000	
■ Real Time Healthcare Management Integration Demonstration with AF/SG		1,000
■ Virtual Medical Trainer		1,000
■ Rapid Detection of Laser Injury to Retina*		5,500
■ Line RDT&E	10,500	
■ Total Congressional Adds:	47,800	

* Awaiting determination on which Service to act as POC

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Questions

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Appropriation Overview NOTES…..

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Operation & Maintenance	$1,584,786	$1,697,355	$1,820,759	$ 1,890,790	$ 2,007,342	$ 2,094,701	$ 2,112,925
BAG 2 Revised Financing	$99,340	$142,000	$875,410	$966,180	$1,053,140	$1,147,920	$1,251,230
Accrual MILPERS*	$170,779	$174,877	$178,975	$183,073	$187,171	$191,269	$195,367
Accrual O&M*	$259,890	$287,203	$314,516	$341,829	$369,142	$396,455	$423,768
Accrual Total*	$430,669	$462,080	$493,491	$524,902	$556,313	$587,724	$619,135
*05 and out are estimated							
MMSO	$19,930	$27,500	$37,890	$43,560	$47,920	$52,710	$57,980
MILPERS	$2,256,674	$2,503,357	$2,596,584	$2,598,397	$2,617,175	$2,631,080	$2,698,236
LAF funded MILPERS**	$158,397	$164,629	$170,860	$177,196	$183,220	$189,450	$195,891
**03 through 05 are estimated							
Procurement	$56,584	$46,949	$50,892	$76,193	$66,165	$63,016	$52,192
RDT&E	$972	$30,350	$47,800	$19,000	$19,000	$19,000	$19,000
WRM (28038F)	$54,300	$73,070	$95,549	$62,414	$63,595	$65,642	$65,580
3400 O&M		$2,801	$451	$5,378	$4,602	$5,509	$3,967
3080 Investment		$31,044	$14,019	$14,595	$14,939	$15,268	$15,574
4930 AFWCF MDD		$39,225	$81,079	$42,441	$44,054	$44,865	$46,039
CCBRNE (28036F) O&M		$1,321	$2,681	$15,028	$16,587	$21,416	$27,494
MILCON	$38,880	$46,400	$53,900	$46,526	$55,045	$57,647	$60,692
Total	$4,700,532	$5,193,690	$6,243,135	$6,405,158	$6,668,915	$6,908,890	$7,132,861

AF Share of TMA FY05 Corporate Bills (identified 15 Sep 04)

$K

- **Financial Statements** **(1,000)**
- **Joint DoD/VA HC RS & Coordination** **(2,250)**
- **CMOP – Kirtland AFB** **(2,567)**
- **Joint DoD/VA Incentives Fund** **(3,750)**
- **IM/IT Office Automation (Congressional Reduction)** **(7,431)**

- **Total** **(16,998)**

Beneficiaries
Eligibles and Users -2003

Category	Eligibles	Users
AD	**1,686,000**	**1,686,000**
ADD	**2,309,000**	**2,194,600**
NADD < 65	**3,015,000**	**2,149,625**
NADD > 65	**1,634,000**	**1,553,000**
Total	**8,778,000**	**7,579,225**

User Rates	ADD	NADD
FY 99	**95%**	**62.1%**
FY 00	**95%**	**62.1%**
FY 01	**95%**	**63.5%**
FY 02	**95%**	**65.7%**
FY 03	**95%**	**71.3%**

9.2 % Increase

Note: FY03 are estimates based on data for October 2002-March 2003. Users are defined as eligibles who use the direct care system for non-pharmacy services.

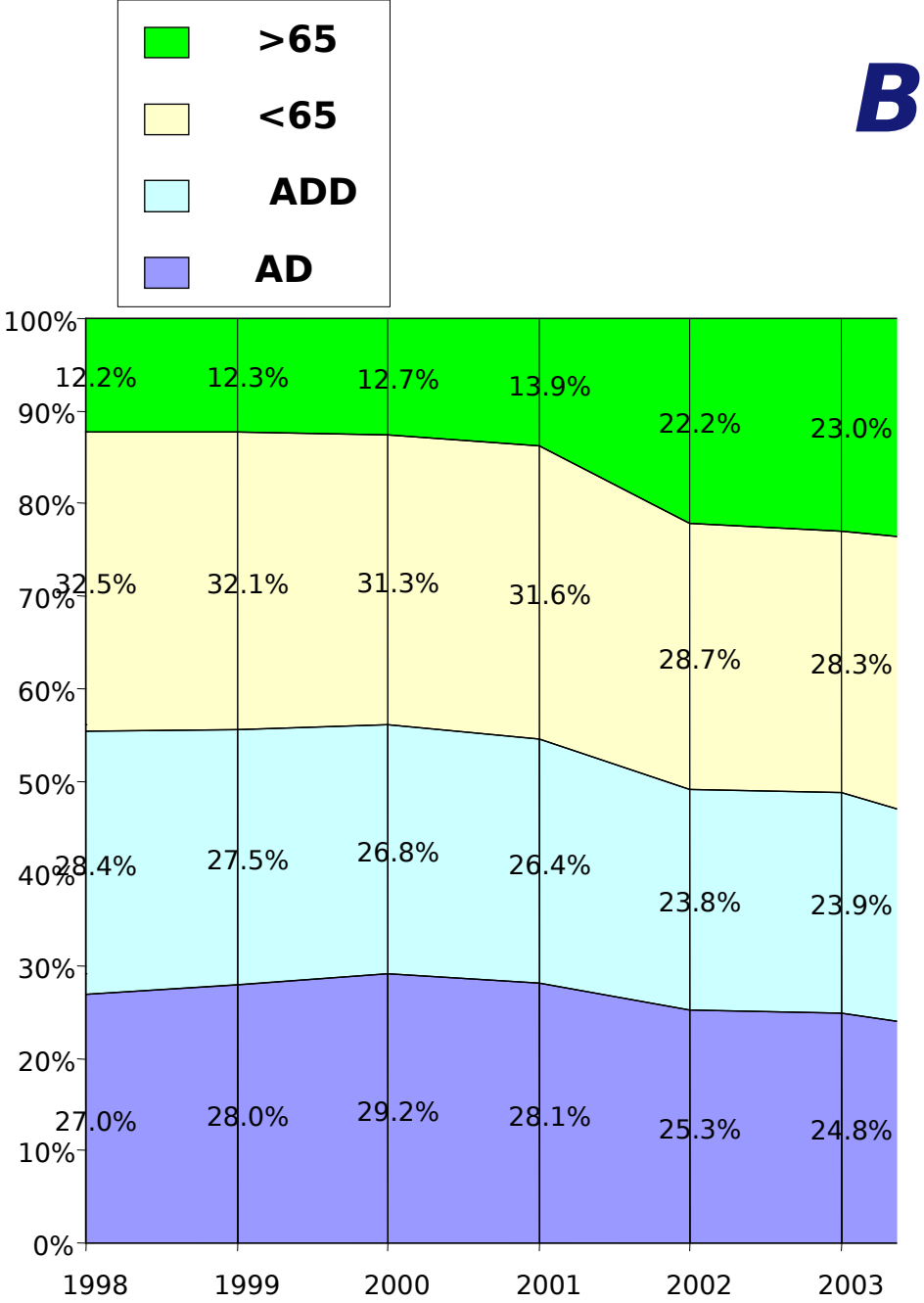
Private Sector Cost Growth
P&R/HA Projections vs. Comptroller

	FY04	FY05	FY06	FY07	FY08**	FY09**
Initial Estimate (IE)*	8,394,123	9,386,515	10,719,041	12,203,094	13,687,147	15,401,928
Current Funded (CF)	7,420,972	7,879,944	8,471,477	9,381,265	10,258,061	11,221,827
Current Estimate (CE)	8,619,158	9,331,908	10,452,905	11,686,891	12,987,244	14,436,248
Difference IE to CE	-225,035	54,607	266,136	516,203	699,903	965,680
Difference CF to CE	-1,198,186	-1,451,964	-1,981,428	-2,305,626	-2,729,183	-3,214,421

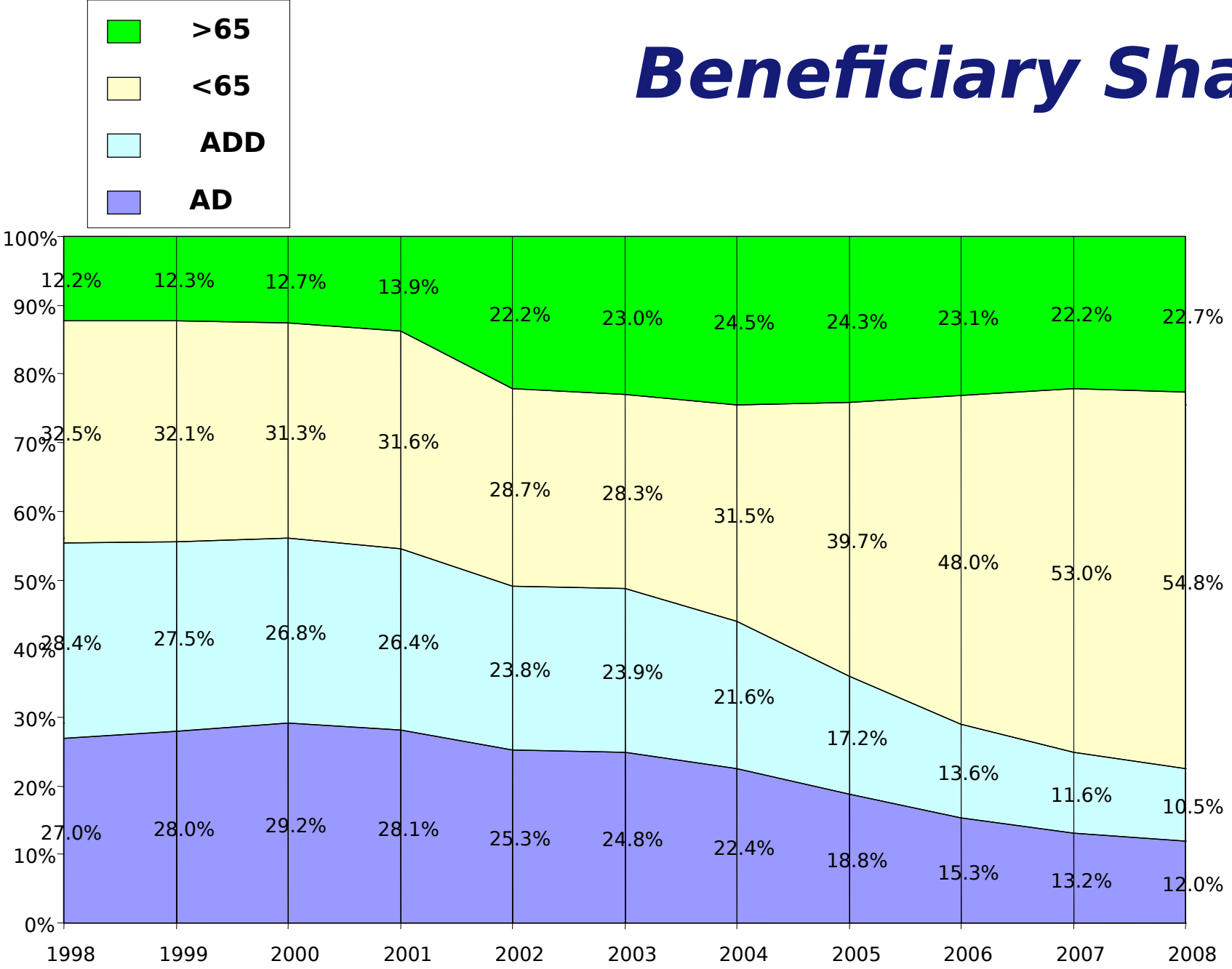
* At the beginning of the Administration P&R proposed funding for Private Sector Care
Requirements. The Department only funded a small part of the requirement. By continuously
underestimating the requirement for Private Sector Care the Department faces annual funding
crises.

** FY08 and FY09 initial estimate based on FY07amounts

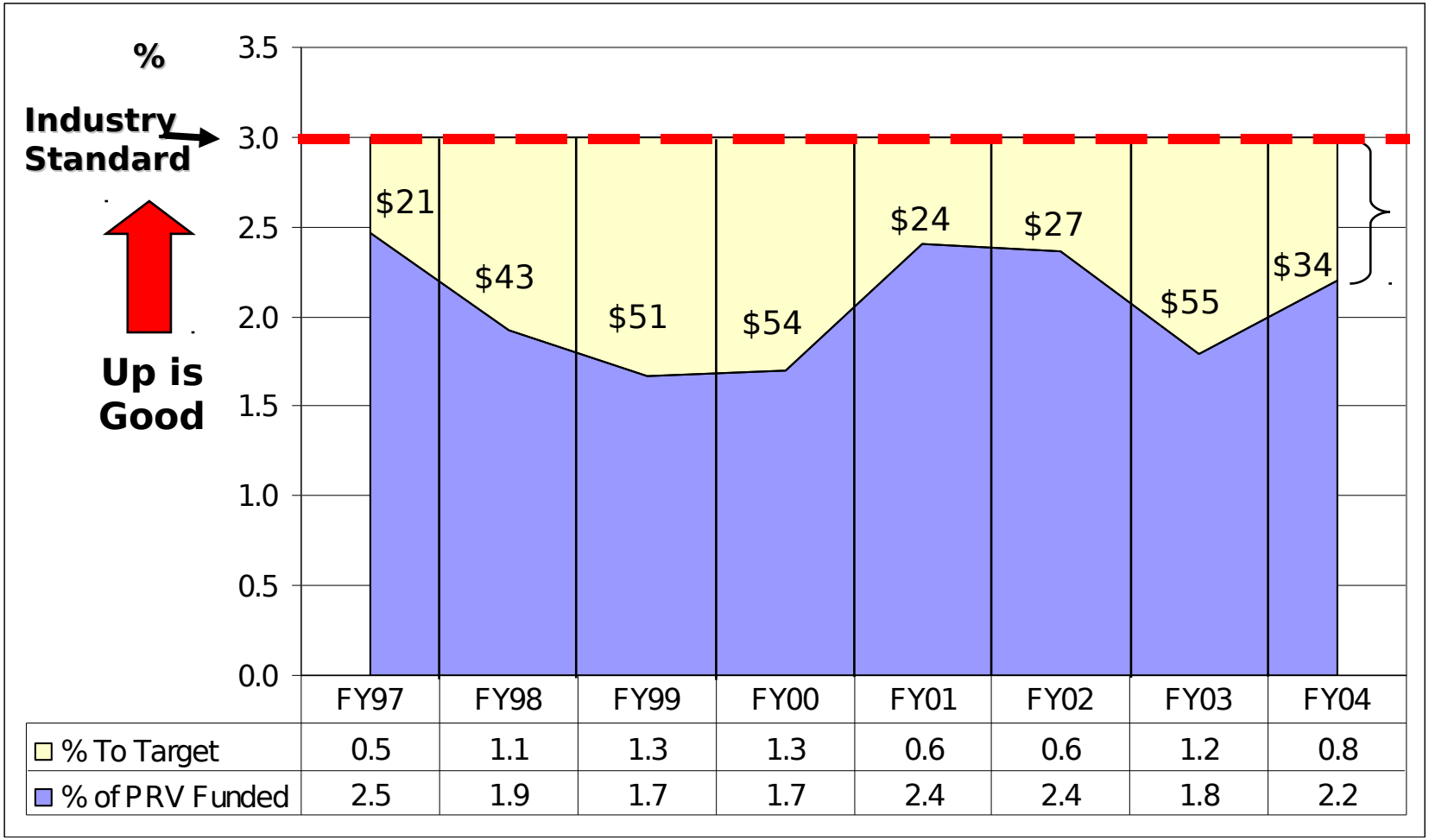
Beneficiary Share



Beneficiary Share



FY01 Starting Position
Impact of RPM Suppression



	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
% To Target	0.5	1.1	1.3	1.3	0.6	0.6	1.2	0.8
% of PRV Funded	2.5	1.9	1.7	1.7	2.4	2.4	1.8	2.2

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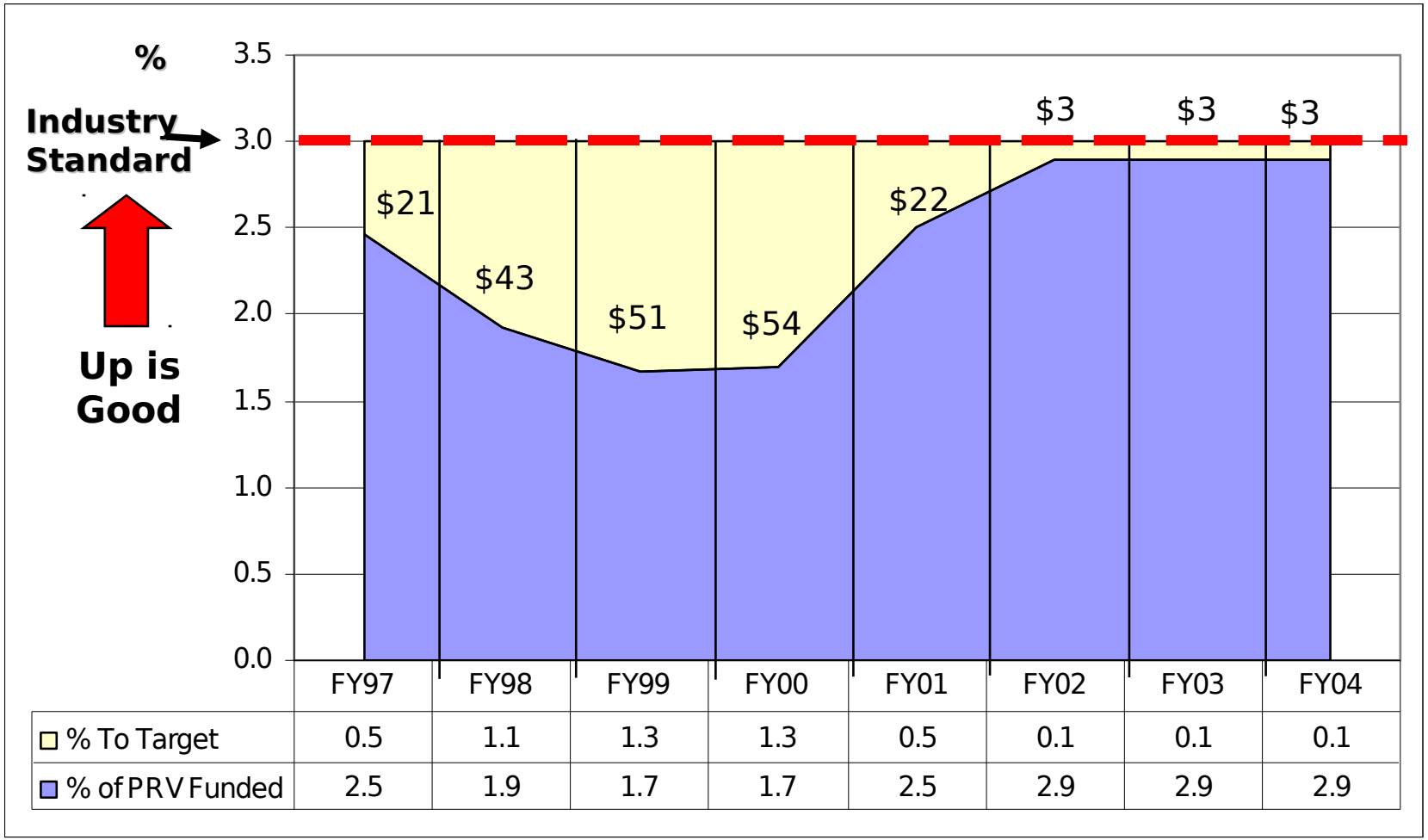
FY02 Projected FY03 BES RPM Adjustments



	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
% To Target	0.5	1.1	1.3	1.3	0.5	0.1	0.1	0.1
% of PRV Funded	2.5	1.9	1.7	1.7	2.5	2.9	2.9	2.9

Impact of Expense Equipment Suppression

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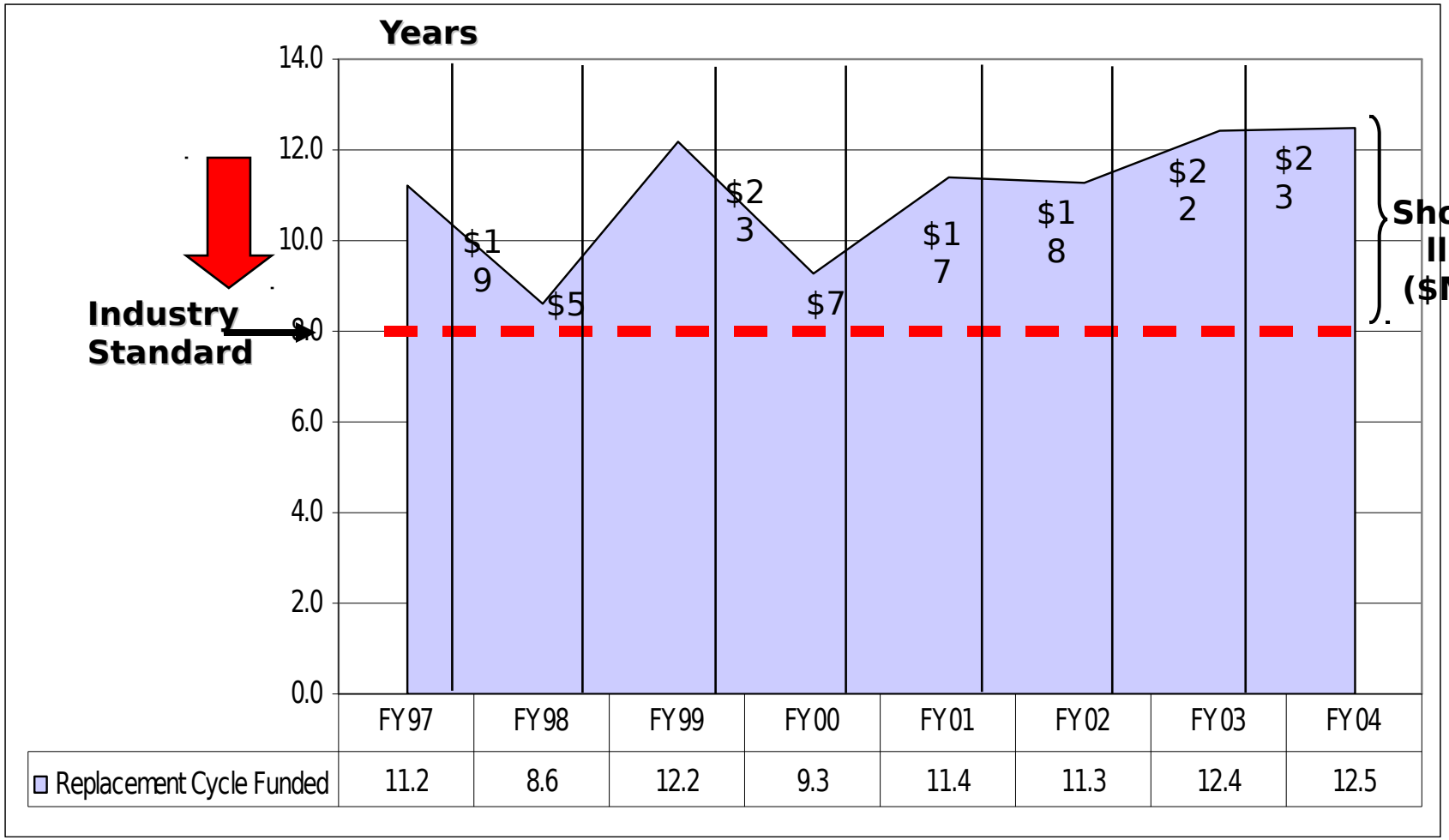

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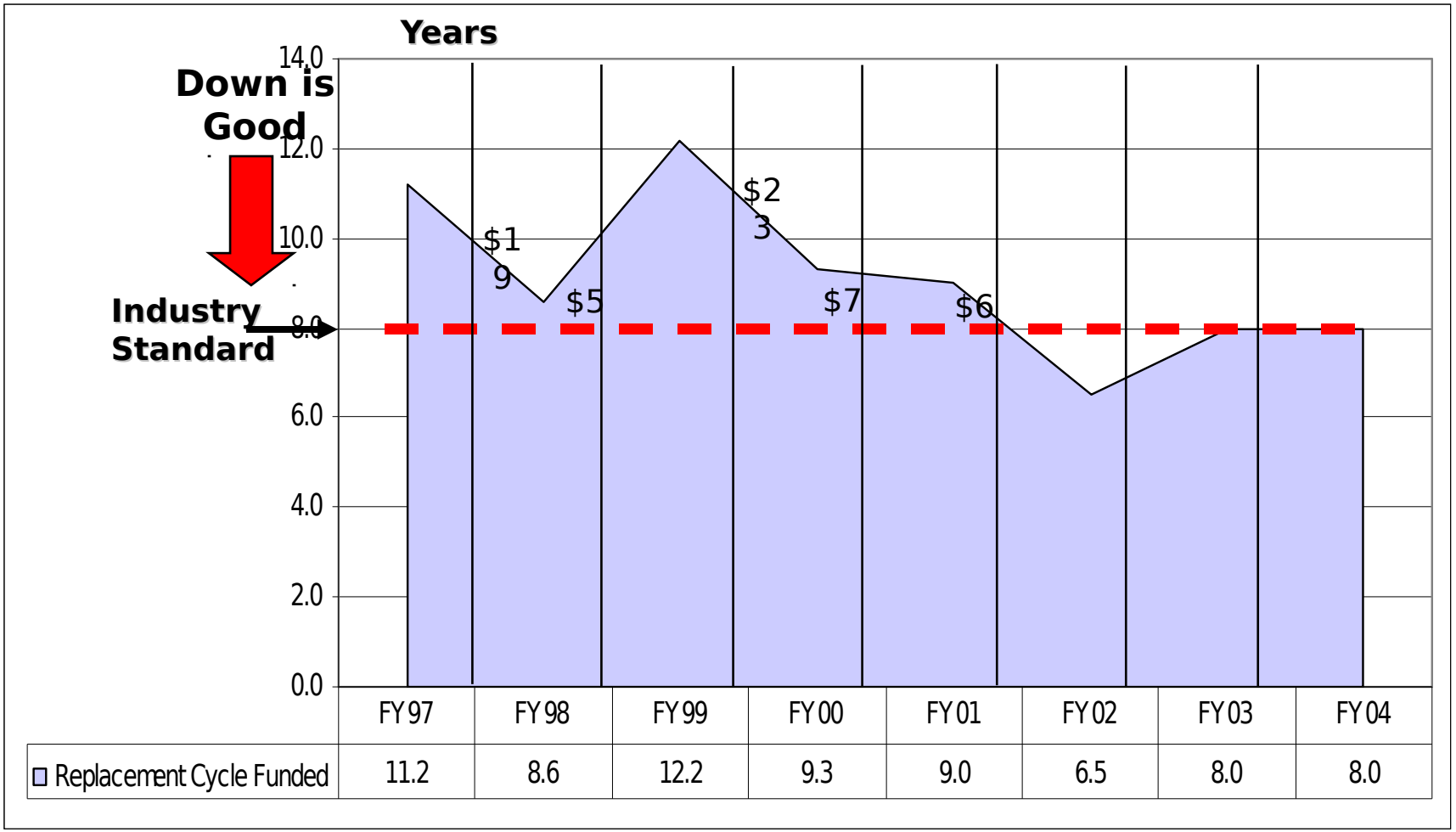
FY02 Projected
FY03 BES Equipment Adjustments



FY02

- Was Best Ever
- DMOC… fixed RPM + Equip replacement
- Retirees Voted in 2000
- TFL
- Golden Benefit

FY03

- **FY03 was Very Challenging**
- **225,000 Reservists called up; Family members? Remote locations? Dental?**
- **$501M Supplemental**
- **ESP Coding, Line vs. DHP funding**